

Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 PA-03

PRS-01 USIA-15 L-03 IGA-02 AGR-20 RSR-01 /174 W

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R 291355Z AUG 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3413

INFO AMEMBASSY ASUNCION

AMEMBASSY BRASILIA

AMEMBASSY MONTEVIDEO

AMEMBASSY SANTIAGO

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USCINCSO FOR POLAD

E.O. 11652: N/A

TAGS: ECON, ESTC, ETRD, AR, CU, US

SUBJ: \$200 MILLION DOLLAR CREDIT TO CUBA FORMALIZED

REF: BA-5884

1. ON AUGUST 24 ARGENTINE FOREIGN MINISTER AND CUBAN AMBASSADOR
SIGNED AGREEMENT FORMALIZING 200 MILLION DOLLAR CREDIT TO CUBA
WHICH WAS ANNOUNCED AUGUST 6 BY NOW MINISTER OF ECONOMY GELBARD.

TEXT OF AGREEMENT PUBLISHED IN WEEKEND PRESS PROVIDES THAT LINE
OF CREDIT SHOULD BE USED WITHIN 12 MONTHS TO PURCHASE CAPITAL
GOODS. PAYMENT IS TO BE MADE WITH 15 PER CENT CASH ON SHIPMENT
WITH REMAINING 85 PERCENT PAYABLE IN 17 SEMI-ANNUAL PAYMENTS
BEGINNING SIX MONTHS AFTER SHIPMENT. FREIGHT AND INSURANCE PRO-
VIDED BY ARGENTINE FIRMS MAY BE FINANCED ON SIMILAR TERMS.

CREDITS TO CARRY SIX PER CENT INTEREST ON OUTSTANDING BALANCES.
NATIONAL BANK OF CUBA IS TO EXTEND NOTICE IN FAVOUR OF CENTRAL

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BANK OF ARGENTINA TO COVER 85 PER CENT CREDITS EXTENDED.

2. TEXT ALSO CONTAINS EXPLICIT PROVISION FOR ITEMS PURCHASED UNDER CREDIT TO BE CARRIED BY ARGENTINE AND CUBAN VESSELS ON A 50-50 BASIS IF POSSIBLE, BUT WITH THE VESSELS OF THE OTHER COUNTRY TO BE FAVOURED IF ADEQUATE SHIPPING NOT AVAILABLE IN VESSELS UNDER FLAG OF EITHER COUNTRY.

3. FOLLOWING SIGNING OF AGREEMENT GOA AND GOC EXCHANGED NOTES WHICH INDICATED WILLINGNESS OF GOA TO RENEW AGREEMENT FOR AS MANY AS FIVE YEARS FOR EQUAL ANNUAL AMOUNTS ON TERMS TO BE ESTABLISHED UPON RENEWAL. TWO BUENOS AIRES NEWSPAPERS INDICATED UNDERSECRETARY FOR INTERNATIONAL ECONOMIC RELATIONS STATED THAT THIS PROVIDED FOR THE POSSIBILITY THAT ARGENTINA WOULD EXTEND TOTAL CREDITS TO CUBA UP TO 1.2 BILLION DOLLARS.

4. A CUBAN DELEGATION OF GOVERNMENT OFFICIALS AND TECHNICIANS, HEADED BY IRMA SANCHEZ VALDES OF CUBA'S CENTRAL PLANNING BOARD, WAS PRESENT FOR THE CEREMONY AND IS NOW VISITING THE PLANTS OF POSSIBLE SUPPLIERS IN ARGENTINA. EMBASSY HAS ALREADY RECEIVED NOTICE FROM TWO US SUBSIDIARY FIRMS THAT THE CUBAN BUYING GROUP IS PLANNING TO VISIT THEIR FACILITIES. WHEN REQUESTED, WE ARE PROVIDING GOUDANCE TO EXECUTIVES OF US SUBSIDIARIES BASED UPON PARAS. 1 TO 4 IN STATE 117307.

5. COMMENT. RELATIVELY PROMPT ACTION BY GOA TO SIGN AGREEMENT INDUCES EMBASSY TO BELIEVE THAT GOA ANXIOUS THAT CUBAN PURCHASES UNDER CREDIT SHOULD PROCEED FORTHWITH TO BOLSTER DEMAND, PRODUCTION AND EMPLOYMENT IN ARGENTINE PLANTS. ARGENTINA'S CONCERN THAT THIS STIMULUS TO ECONOMIC ACTIVITY SHOULD BEGIN PROMPTLY SEEMS MATCHED BY ITS DESIRE TO SHOW STRONG SUPPORT FOR CUBA ON THE EVE OF THE NON-ALIGNED NATIONS CONFERENCE. IN OTHER CIRCUMSTANCES, WE BELIEVE DISCUSSIONS CONCERNING RENEWAL OF THE CREDIT WOULD HAVE AWAITED EXPERIENCE UNDER THE NEW ARRANGEMENT.

6. EXPLICIT PLANS ARE TO HAVE ARGENTINE VESSELS DELIVER HALF THESE GOODS TO CUBA. THE MOST FEASIBLE WAY FOR THIS TO BE DONE WOULD BE TO HAVE HABANA AND OTHER CUBAN PORTS INCLUDED AS STOPS ON ARGENTINE STATE LINE, ELMA, ROUTES TO GULF AND EAST COAST US. USE OF ARGENTINE VESSELS WILL PRESUMABLY BRING INTO PLAY PROVISIONS OF FOREIGN ASSISTANCE ACT SECTION 620 (A) (3) AND ALSO US REG-LIMITED OFFICIAL USE
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ULATIONS AFFECTING ANY VESSEL WHICH DELIVERS GOODS TO CUBA. THIS EMBASSY HAS NOT DISCUSSED POSSIBLE IMPACT OF US LAWS ON ASSISTANCE PROGRAMS TO ARGENTINA AND TREATMENT OF ARGENTINE VESSELS IN US PORTS WITH ARGENTINE OFFICIALS SINCE JULY 3, FOLLOWING ANNOUNCEMENTS OF ARGENTINA'S FIRST MAJOR SALE OF CORN TO CUBA. WHILE THERE HAVE BEEN SOME CHANGES OF PERSONNEL IN THE FOREIGN OFFICE SINCE THAT TIME, WE ASSUME THAT OUR EFFORTS HERE AND ARA/APU DISCUSSIONS WITH ARGENTINE EMBASSY OFFICIALS IN LATE JUNE ON THIS SUBJECT ESTABLISHED A SITUATION IN WHICH THE APPROPRIATE ARGENTINE AUTHORITIES CANNOT BUT BE AWARE OF THE IMPLICATIONS

AND POSSIBLE IMPACT ON US/ARGENTINE RELATIONS OF THE CONTEMPLATED
TRADE WITH CUBA UNDER THE ARRANGEMENTS JUST SIGNED WITH CUBAN
OFFICIALS.
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